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DE RUEHMR #0075/01 0721517  
ZNR UUUUU ZZH  
R 121517Z MAR 08  
FM AMEMBASSY MASERU  
TO RUEHC/SECSTATE WASHDC 3600  
INFO RUCNSAD/SADC COLLECTIVE  
RUCN WTO/WORLD TRADE ORGANIZATION COLLECTIVE  
RUEHMR/AMEMBASSY MASERU 4015

UNCLAS SECTION 01 OF 03 MASERU 000075

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DEPT ALSO FOR AF/EPS, AF/S;  
PASS TO USTR

E.O. 12958: N/A

TAGS: [ETRD](#) [ECIN](#) [ECON](#) [BEXP](#) [BTIO](#) [LT](#)

SUBJECT: LEAST DEVELOPED COUNTRIES SOLIDIFY DOHA POSITIONS AT MASERU  
MINISTERIAL MEETING

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11. (U) SUMMARY: The Kingdom of Lesotho's Ministry of Trade and Industry hosted a Least Developed Countries (LDC) Trade Ministers' Conference February 27-29 in Maseru. During the conference, which produced a "Maseru Declaration" on LDC positions, trade representatives from 36 developing nations reviewed progress made in the Doha Development Agenda Round (DDA) since the most recent meeting of LDC's in 2005 and reaffirmed LDC positions. The ministerial consisted of over three days of closed and open meetings, including an address by Lesotho Prime Minister Mosisili and LCD consultations with trading partners including the United States, the EU, and WTO Director General Lamy. Delegates deliberated a wide range of issues, including Duty Free Quota Free (DFQF) market access, Agriculture, Non-Agriculture Market Access (NAMA), Trade Facilitation, Trade in Services, and Trade Related Intellectual Property Rights (TRIPS). The meeting concluded with an open dialogue with major trade negotiating partners and the issuance of the "Maseru Declaration" which largely reiterated and consolidated previous positions, and on some issues (like cotton and DFQF) continues to run counter to U.S. views. Deputy U.S. Trade Representative Ambassador Peter Allgeier made a statement effectively outlining the USG commitment to complete the DDA talks in 2008 and to work with LDCs -- especially Africans -- to address key issues including preference erosion, DFQF, cotton, trade facilitation, and Aid for Trade. End Summary.

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Prime Minister Mosisili Encourages LDCs Graduation  
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13. (U) Lesotho Prime Minister Pakalitha Mosisili inaugurated the February 2008 meeting of LDC Trade Ministers, attended by Deputy U.S. Trade Representative Ambassador Peter Allgeier and A/USTR for Africa Florie Liser, by calling on the Least Developed Countries to undertake all available measures to graduate from their current LDC status. Only through development and consolidation of the legal framework, private sector, and human capital, Mosisili declared, would LDCs be able to escape the scourges of "high unemployment...widespread abject poverty, and disease."

14. (U) Offering Lesotho as an example of a typical LDC, Mosisili detailed a number of challenges including potential loss of revenue due to tariff cuts, lack of diversification, and a low national savings rate. Most importantly, he pointed out that the greatest challenges to achieving full integration of LDCs into the multilateral framework are supply-side constraints

and other limitations to competitiveness. Finally, Mosisili urged incorporation of targeted programs in the DDA, such as Aid for Trade and the Enhanced Integrated Framework to help LDCs address trade inequities.

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DDA Discussion  
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¶15. (U) H.E. Maruping, Lesotho Ambassador to the WTO, led the general working discussion of the DDA. While Maruping stressed apparent progress in several key areas - such as NAMA and Agriculture - he also highlighted key questions facing the LDCs, i.e., the scope, speed, and substance of the negotiations. In addition, Maruping questioned whether the LDCs should immediately emphasize the horizontal process or instead focus on specific negotiating areas such as rules and services. Regarding the speed of negotiations, Maruping suggested that member nations would have to decide if adherence to a fixed deadline trumped substance.

¶16. (U) A number of LDC representatives voiced concern regarding the slow progress on a number of issues, including DFQF, simplified rules of origin, special and differential treatment (S&D), and Special Safeguard Mechanisms (SSM) for Agriculture. Issues such as capacity building, Aid for Trade, and technical assistance often surfaced. For example, Seriba Ouattara, the Ambassador to the WTO for Burkina Faso, pointed out to Embassy Maseru EconOff that for many reasons capacity building should be raised to the top of the agenda.

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Agriculture  
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¶17. (U) During the agricultural discussions, numerous representatives stressed that the working texts do not address the monitoring of DFQF preferences, arguing vociferously that these items should be included in the modalities. Agreeing that developed countries' lists of sensitive products should include

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products of export interest to LDCs - coupled with a longer implementation period of 15 years and with serious back-loading - LDC representatives noted agricultural preference erosion as a high priority. (NOTE: Regarding preference erosion, most delegates also agreed that developing countries, as opposed to LDCs, may seek an implementation period longer than 15 years. END NOTE.) Additionally, delegates reached consensus that both tropical and diversification products should be discussed together, as well as that export credits, international food aid, and state trading enterprise issues still remained on the table.

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Cotton  
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¶18. (U) LDC representatives appeared to unanimously agree that reduction of trade-distorting domestic support for cotton was a priority for all LDCs - not just the "Cotton Four" African producers (Mali, Burkina Faso, Benin, and Chad). Therefore, conference delegates reflected this sentiment in the Maseru Declaration. (NOTE: The LDC position is virtually the same as the Cotton Four position. END NOTE.) LDC representatives expressed frustration with the continued reluctance of the U.S. and the European Union to address their concerns on cotton (septel).

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NAMA  
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¶19. (U) LDC representatives discussed a number of Non-Agricultural Market Access (NAMA) subjects, such as the lack of certainty regarding coverage and timeliness for Duty Free

Quota Free (DFQF) market access. For example, delegates voiced concern that there was still no established monitoring mechanism regarding DFQF, i.e., its scope, the frequency of reviews, and how Rules of Origin are addressed. (NOTE: A number of representatives argued that DFQF market access without simplified Rules of Origin would be of little value to LDC exporters. END NOTE.)

¶10. (U) Delegates sounded reservations regarding the elimination of certain tariffs - particularly fish and seafood products - arguing that such developments would be disastrous for a number of LDCs. Echoing the concern raised by Lesotho Prime Minister Mosisili in his opening address, various delegates maintained the importance of duties as a source of revenue, economic development, and stability. Other delegates stated that special considerations - or adjustments - regarding tariff reductions should be made for developing countries who are members of customs unions that include LDCs.

¶11. (U) Representatives also expressed concern that LDCs lacked capacity to grapple with Non-Tariff Barriers (NTB) affecting their exports, some noting challenges with meeting sanitary and phytosanitary standards. Several delegates called for a proposal advocating the elimination of all NTBs affecting LDC exports.

¶12. (U) In addition to LDC access to all Special and Differential Treatment provisions and exemption from reduction commitments, the LDC representatives agreed that there would have to be an agreement to incorporate trade and non-trade solutions in the NAMA and agricultural modalities.

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Trade in Services  
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¶13. (U) Arguing that maximum flexibility should be granted to LDCs and priority given to their export interests, delegates recognized "Mode 4" as a potential area of benefit for the LDCs, through which member nations could make meaningful offers regarding market access. Also, delegates agreed that targeted technical assistance should be provided to LDCs in order to build improved regulatory and institutional framework and help address supply side constraints, particularly in key services sectors that support trade.

¶14. (U) They also discussed exemption from Most Favored Nation (MFN) obligations under the GATS agreement for LDCs. Additionally, delegates called for the WTO to assist LDC states in strengthening their capacity, efficiency, and competitiveness of domestic services in accordance with Article IV of the GATS.

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TRIPS  
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¶15. (U) Identifying the ratification of the TRIPS amendment, and its resultant manufacturing capacity building, as a priority, LDC representatives exhorted member states to submit their "needs assessments." (NOTE: Only two countries by January 2008 had submitted their individual technical needs assessments. END NOTE.) The representatives also agreed to ensure submission of bankable projects to donors and the WTO Secretariat.

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¶16. (U) The Maseru Declaration commits LDCs to support the amendment to the TRIPS agreement which mandates disclosure of origin of biological resources and associated traditional knowledge. LDC representatives intended to address what they felt was misappropriation of patents and enhance development benefits that should accrue to the LDCs.

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Trade Facilitation  
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¶17. (U) Discussion of trade facilitation centered around several key issues/challenges, including high implementation costs of facilitation measures, proposals which go beyond negotiating mandate (i.e., corruption), and Enhanced Technical Assistance (ETA). Most representatives agreed that the ETA should form the basis for LDC negotiations and capacity building initiatives. Finally, the delegates emphasized that LDCs should not be required to undertake mandatory trade facilitation commitments until acquisition of the necessary capabilities is complete - as defined by the LDCs themselves.

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Comment  
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¶18. (SBU) Ambassador Allgeier and A/USTR for Africa Florie Liser were both struck by the limited number of African Trade Ministers with longevity in their positions and, as a result, some Ministers had a less than comprehensive understanding of key Doha issues. Former key ministers (from Lesotho, Ghana, Kenya, and Burkina Faso) with institutional memory on important Doha issues are now gone, and a new core group has not yet evolved. This also has an impact on AGOA implementation, reflected by an apparent lack of understanding of major elements, such as products covered, rules of origin, etc. The USG will need to determine more effective ways to establish new relationships and provide critical background information to the large number of new African Trade Ministers. End Comment.

¶19. (U) This cable has been cleared by USTR PColeman.  
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